

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2015

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SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Clarence Hansen	President	2015
Scott Currie	Vice President	2015
Mike Schmitt	Board Member	2015
Christy Horan	Board Member	2017
Marcia Woodke	Board Member	2017

School Officials

Dave Kwikkel	Superintendent
Julie McClintic	District Secretary/Treasurer

Gary E. Horton CPA

902 Central Ave. E.-PO Box 384
Clarion, IA 50525-0384
(515)532-6681 Phone
(515) 532-2405 Fax
BETCO@mchsi.com E-mail

Independent Auditor's Report

To the Board of Education of
Schaller-Crestland Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Schaller-Crestland Community School District, Schaller, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above presents fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Schaller-Crestland Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 11 in the financial statements, Schaller-Crestland Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and

Financial Reporting for Pensions . an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 14 and 41 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Schaller-Crestland Community School District's basic financial statements. We previously audited, in accordance with the standards referred in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 31, 2016 on our consideration of Schaller-Crestland Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide and opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Schaller-Crestland Community School District's internal control over financial reporting and compliance.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

May 31, 2016

Schaller-Crestland Community School District

Management Discussion & Analysis

This section of the Schaller-Crestland Community School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2015. The analysis focuses on the District's financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section.

2015 Financial Highlights

- The Schaller-Crestland CSD Board of Directors approved a Property Tax decrease from \$13.29681 to \$13.03883 per \$1,000 taxable valuation, creating a stable tax rate from the previous year.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Schaller-Crestland Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Schaller-Crestland Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Schaller-Crestland Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

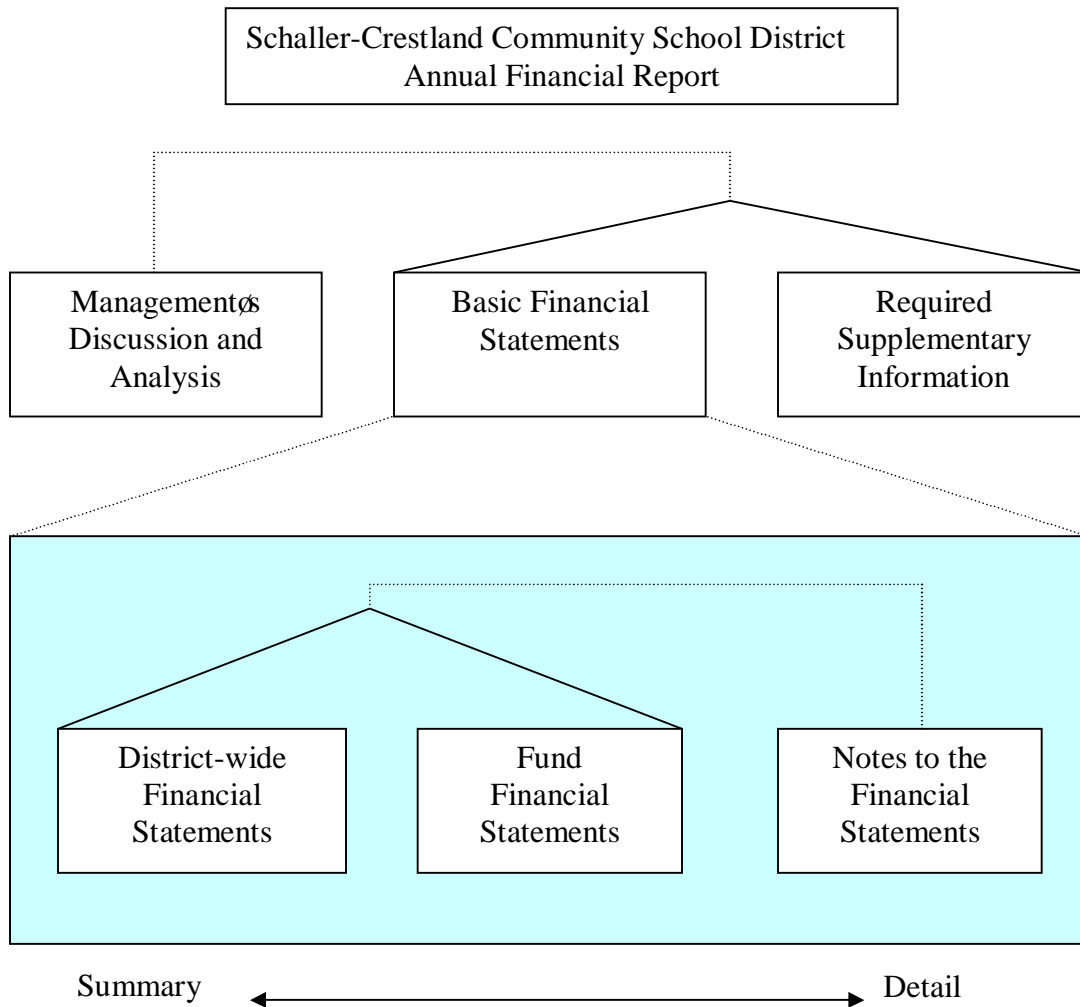
Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary information provides detailed information about the non-major governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1



REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The Government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the Government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's food service and daycare programs would be included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds ó not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial

assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Government-wide financial statements. The District's Enterprise Fund, one type of a proprietary fund, is the same as its business-type activities but provides more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Daycare Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

Government-wide Financial Analysis

Figure A-2 below provides a summary of the District's net position at June 30, 2015, 2014 and 2013.

Figure A-2	Condensed Statement of Net Position									
	Governmental Activities			Business Type Activities			Total School District			Total % Change 2015-2014
	2015	2013 (Not restated)	2014 (not restated)	2015	2013 (Not restated)	2014 (Not restated)	2015	2013 (Not restated)	2014 (Not restated)	
Current and other assets	6,354,118	\$4,988,198	2,554,592	69,202	\$6,367	39,778	6,423,320	\$4,994,565	5,594,370	15%
Capital assets	2,594,287	2,843,369	2,293,444	28,354	36,947	35,046	2,622,641	2,880,316	2,328,490	13%
Total Assets	8,948,405	7,831,567	7,848,036	97,556	43,314	74,824	9,045,961	7,874,881	7,922,860	14%
Deferred outflows of resources	247,545	0	0	43,379	0	0	290,924	0	0	100%
Long-term liabilities	1,574,527	56,966	115,956	121,073	0	0	1,695,600	56,966	115,956	1,362%
Other liabilities	551,833	440,553	356,308	5,254	8,615	4,002	557,087	449,168	360,310	55 %
Total liabilities	2,126,360	497,519	472,264	126,327	8,615	4,002	2,252,687	506,134	476,266	373%
Deferred inflows of resources	3,049,363	2,603,586	2,666,154	49,788	1,314	1,457	3,099,151	2,604,900	2,667,611	16%
Net Position:										
Investment in capital assets	2,594,287	2,843,369	2,293,444	28,354	36,947	35,046	2,622,641	2,880,316	2,328,490	13%
Restricted	2,177,476	1,116,636	1,583,962	0	0	0	2,177,476	1,116,636	1,583,962	37%
Unrestricted	(750,635)	770,457	832,212	(63,534)	(3,562)	34,319	(814,169)	766,895	866,531	-194%
TOTAL NET POSITION	4,021,128	4,730,462	4,709,618	(35,180)	33,385	69,365	3,985,948	4,763,847	4,778,983	-17%

The District's total net position decreased 17%, or \$793,035 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased by \$593,514 or 37% from the prior year. The increase was primarily a result of pension liabilities.

Unrestricted net position is the part of net position that can be used to finance day-to-day operations without constraints, established by debt covenants, enabling legislation or other legal requirements. It decreased by \$1,680,700 or 194% from the previous year. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$1,822,025 and \$15,411, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior

to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-3 shows the change in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Changes in Net Position						
Figure A-3	Governmental Activities		Business-type Activities		Total School District	
	2015	2014 (not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)
Revenues						
Program Revenues						
Charges for services	1,032,642	957,317	251,641	207,734	1,284,283	1,165,051
Operating Grants & Contributions	619,664	635,774	153,924	167,567	773,588	803,341
Capital Grants & Contributions	0	0	0	0	0	0
General Revenues						
Property taxes & other taxes	3,270,580	3,227,751	0	0	3,270,580	3,227,751
Unrestricted State Grants	1,295,919	1,290,460	0	0	1,295,919	1,290,460
Unrestricted Investment Earnings	13,417	10,947	113	23	13,530	10,970
Other Revenue	318,406	4,123	0	3,299	318,406	7,422
Total Revenues	6,550,628	6,126,372	405,678	378,623	6,956,306	6,504,995
Expenses						
Instruction	3,499,226	3,630,665	0	0	3,499,226	3,630,665
Support Services	1,519,956	1,480,910	0	0	1,519,956	1,480,910
Non-Instructional Programs	0	4,875	356,082	342,643	356,082	347,518
Other Expenses	397,911	444,430	0	0	397,911	444,430
Total Expenses	5,417,093	5,560,880	356,082	342,643	5,773,175	5,903,523
Net Revenues and Expenses	1,133,535	565,492	49,596	35,980	1,183,131	601,472
Transfers	0	0	0	0	0	0
Change in Net Position	1,133,535	565,492	49,596	35,980	1,183,131	601,472

Total District revenues increased \$451,311 between 2014 and 2015 while total expenses decreased in 2015 \$130,348. This created an increase of \$581,659 in total school district net position. Total property tax and other local tax revenues increased \$42,829.

Governmental Activities -

Referring to *Figure A-3*, revenues for the District's governmental activities were \$6,550,628 for fiscal year 2015. Total governmental expenditures were \$5,417,093.

The fiscal year previous the District trimmed expenses through Whole Grade Sharing revenues. The board of directors was able to maintain the overall district tax rate from \$13.29681 to \$13.03883 per thousand dollars of taxable valuation. As we move forward into the next fiscal years (2015 and 2016), we understand the transportation costs of Whole Grade Sharing are still a crucial part of the budget.

Net Cost of Governmental Activities				
Figure A-4				
	Total Cost of Services 2015	Total Cost of Services 2014 (Not restated)	Net Cost Of Services 2015	Net Cost Of Services 2014 (Not restated)
Instruction	3,499,226	3,630,665	2,020,004	2,265,086
Support Services	1,519,956	1,480,910	1,500,523	1,408,273
Non-instructional	0	4,875	0	4,875
Other Expenses	397,911	444,430	244,260	289,555
TOTAL	5,417,093	5,560,880	3,764,787	3,967,789

Figure A-4 presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2015 compared to the year ended June 30, 2014. The table shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

- The cost of all governmental activities this year was \$5,417,093.
- Most of the District's net costs (\$3,764,787) were financed by District and state taxpayers.
- This portion of governmental activities was financed with \$3,270,580 in property and other local taxes, and \$1,295,919 in unrestricted state aid (based in large part on the statewide education aid formula), investment earnings and miscellaneous revenues.

Business-Type Activities -

The District's business-type activities include the School Nutrition and Daycare Funds. Revenues of these activities were comprised of charges for services, federal and state reimbursements, and investment income. The District's business-type activities show an increase in net position for fiscal years 2015 and 2014. The increase in net position for the year was the result of managing the Daycare and Hot Lunch programs better. The School Nutrition fund has served summer breakfasts and lunches for the past 4 years. Along with this our head cook has done an excellent job of watching her budget. This has helped the School Nutrition Fund out tremendously and students are getting a healthy meal two times a day. The supervisor of the Daycare fund has streamlined her program, with the enrollment numbers almost doubling.

Financial Analysis of the District's Funds

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$3,102,601.

Governmental Fund Highlights

The General Fund balance increased from \$834,819 in 2013, to \$994,656 in 2014, to \$1,084,612 in 2015. Reducing staff costs and controlling other expenditures has been an ongoing effort and priority.

The Capital Projects Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting.

The sales tax account balance increased from \$601,089 in 2014 to \$731,161 in 2015. During fiscal year 2015 sales tax monies were used to complete several projects, we are fortunate to have this opportunity to do so.

The Physical Plant and Equipment account fund balance increased from \$246,387 at the end of fiscal year 2014 to \$514,763 at the end of fiscal year 2015.

The Management Fund balance increased from \$413,229 at the end of fiscal year 2014 to \$735,166 at the end of fiscal year 2015. Early retirement payments and insurance costs are kept to a minimal in the Management Fund so as not to raise taxes.

The Non-major Student Activity Fund revenues and expenditures remained steady are shared and always present themselves as a challenge with increase costs and lessened revenues or gate receipts.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$(3,299) restated at June 30, 2014 to \$25,107 at June 30, 2015. The increase was due to the price of meals going up, staff reduction, and the summer hot lunch program revenue. Lunch prices are expected to increase in the upcoming fiscal years in order to meet the federal guidelines. However, the District also reflected the related expenses for the net OPEB liability, which caused an overall reduction of net position.

The Daycare Fund net position balance increased from \$(81,477) restated at June 30, 2014 to \$(60,287) at June 30, 2015. Revenues increased due to a better controlled parent payment system, and the number of children enrolled in Daycare has increased. Striking a balance of labor to expected daily needs for care is always a challenge.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

Ultimately, budgeted amounts were more than actual revenue by \$170,179. Down from the previous year, most of this variance due to increased costs of the physical operation of buildings and labor verses new revenues not afforded to the district through state funding. Transportation costs have been a huge detriment to our district since we Whole Grade Share with Galva-Holstein School District.

The District's budgeted expenditures were \$1,808,023 less than actual expenditures. When a preliminary budget is set, the District always requests the ability to expend its full budget if necessary, but has the goal of keeping expenditures in line with revenues as actual revenue accumulates. As a result, the District's certified budget for FY 16 will be monitored and hopefully exceed the actual expenditures during the coming year. The District's total expenditures were \$5,828,968 and total revenues were \$6,683,071, resulting in a surplus of revenues over expenditures of \$854,103.

Capital Asset and Debt Administration

Capital Assets

By the end of 2015, the District had invested \$2,622,641 net of accumulated depreciation, in a broad range of assets, including school buildings, athletic facilities, transportation equipment, and computer and audio-visual equipment (see *Figure A-5*). This amount represents a net increase of \$294,151 or a 13% increase from last year. The District was able to stay within its means and not accumulate any debt in FY15.

The 2014-2015 school year was once again productive in the way of capital improvements. The physical plant and equipment property tax levy and statewide sales tax proceeds were used to make many repairs, improvements and equipment purchases. The completion of the school parking lot has been a great asset to our facility. These two funds combined make it much easier for the district to repair and replace items that get daily wear and tear without worry of budget constraints. Energy efficient lighting was installed in both facilities last summer, which will give us better lighting and provide a great amount of savings. Another project that will be a great asset to the school and community is the renovation of our baseball field in Schaller. The local recreation committee is providing the labor with the school paying for the cost. The board felt the community should be able to see some improvements with the one cent sales tax monies, so it is being paid for from the Capital Projects fund.

Capital Assets (net of depreciation)										
Figure A-5	Governmental Activities			Business-type Activities			Total School District			Total % Change
	2015	2013	2014	2015	2013	2014	2015	2013	2014	2014-2015
Land	38,329	18,889	38,329	0	0	0	38,329	18,889	38,329	0%
Construction in Progress	0	272,492	0	0	0	0	0	272,492	0	0%
Buildings. & Improvements	2,299,534	2,378,831	2,123,652	0	0	0	2,299,534	2,378,831	2,123,652	8%
Equip. & Furniture	256,424	173,157	131,463	28,354	36,947	35,046	284,778	210,104	166,509	71%
TOTAL	2,594,287	2,843,369	2,293,444	28,354	36,947	35,046	2,622,641	2,880,316	2,328,490	13%

Long-Term Debt

At June 30, 2014 the District's only long-term debt was for its early retirement program and net OPEB liability.

Factors Bearing on the District's Future

The District will need to show continued caution financially as they move into their sixth year of Whole Grade Sharing. Budgeting practices such as making sure disbursements do not exceed receipts is our primary focus, however staff needs always need to be tempered so as not to over spend revenues. The costs of transportation has been a huge problem for small schools and we continue to struggle with this. Federal and State coffers have become strained which directly affects Schaller-Crestland. The last couple of years, we have been experiencing declining enrollment. However, we do know that a swing of five or six students either way does have impact on our funding.

The overall assessed valuation has been increasing each year, which helps in stabilizing our tax asking due in part to the wind turbines and increase value of farm land. However, costs outside of the Board's control, such as continual increases in health insurance and higher utility costs are worrisome, and employee contract settlements will also have an effect on the District's financial viability. Funds from PPEL and the SAVE tax will help when making large capital improvements to the district.

Quality of education is a concern, but financial viability also comes into play. With one High School Early Retirement this year, we will move a Middle School teacher into this position and make some other moves in order to reduce our staff FTE, which should help us out financially. School financing is highly dependent upon student enrollment.

The Schaller-Crestland District continues to be proactive regarding projects to maintain our buildings and grounds. The District continues to be aggressive with technology needs.

The District will begin the sixth year (2014-2015) of a whole grade sharing agreement involving grades 5-12 with the Galva-Holstein School District. We will also continue the sharing of their superintendent. Supplemental weightings for the District in administrative sharing is important. This will represent a substantial impact on our funding going forward.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions about this report or need additional financial information, contact Jon Wiebers, Superintendent, Schaller-Crestland Community School District, 300 S. Berwick Street, Schaller, Iowa 51053.

BASIC FINANCIAL STATEMENTS

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2015

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash, cash equivalents and pooled investments	3,423,416	39,422	3,462,838
Receivables:			
Property tax:			
Delinquent	13,055	-	13,055
Succeeding year	2,503,564	-	2,503,564
Accounts	58,739	4,649	63,388
Due from other governments	355,344	13,636	368,980
Inventories	-	11,495	11,495
Capital assets, net of accumulated depreciation	2,594,287	28,354	2,622,641
Total assets	8,948,405	97,556	9,045,961
Deferred Outflows of Resources			
Pension related deferred outflows	247,545	43,379	290,924
Liabilities			
Accounts payable	46,258	5,254	51,512
Salaries and benefits payable	324,543	-	324,543
Due to other governments	181,032	-	181,032
Long-term liabilities:			
Portion due within one year:			
Termination benefits	18,334	-	18,334
Portion due after one year:			
Termination benefits	28,333	-	28,333
Net pension liability	1,431,149	121,073	1,552,222
Net OPEB liability	96,711	-	96,711
Total liabilities	2,126,360	126,327	2,252,687
Deferred Inflows of Resources			
Unavailable property tax revenue	2,503,564	-	2,503,564
Pension related deferred inflows	545,799	48,294	594,093
Other	-	1,494	1,494
Total deferred inflows of resources	3,049,363	49,788	3,099,151
Net position			
Net investment in capital assets	2,594,287	28,354	2,622,641
Restricted for:			
Categorical funding	206,154	-	206,154
Management levy	688,499	-	688,499
Physical plant and equipment levy	514,763	-	514,763
Student activities	36,899	-	36,899
School infrastructure	731,161	-	731,161
Unrestricted	(750,635)	(63,534)	(814,169)
Total net position	4,021,128	(35,180)	3,985,948

See notes to financial statements.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,500,948	922,726	387,018	-
Special	603,244	84,147	24,110	-
Other	395,034	10,727	50,494	-
	<u>3,499,226</u>	<u>1,017,600</u>	<u>461,622</u>	<u>-</u>
Support services:				
Student	94,273	-	-	-
Instructional staff	159,016	-	-	-
Administration	593,441	-	-	-
Operation and maintenance of plant	401,198	250	-	-
Transportation	272,028	14,792	4,391	-
	<u>1,519,956</u>	<u>15,042</u>	<u>4,391</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	84,194	-	-	-
AEA flowthrough	153,651	-	153,651	-
Depreciation (unallocated)*	160,066	-	-	-
	<u>397,911</u>	<u>-</u>	<u>153,651</u>	<u>-</u>
Total governmental activities	<u>5,417,093</u>	<u>1,032,642</u>	<u>619,664</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	239,814	130,713	137,406	-
Daycare	116,268	120,928	16,518	-
Total business-type activities	<u>356,082</u>	<u>251,641</u>	<u>153,924</u>	<u>-</u>
Total	<u>5,773,175</u>	<u>1,284,283</u>	<u>773,588</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net position				
Net position beginning of year				
Net position end of year				

*This amount excludes the depreciation that is included in the direct expenses of the various programs.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,191,204)	-	(1,191,204)
(494,987)	-	(494,987)
(333,813)	-	(333,813)
(2,020,004)	-	(2,020,004)
(94,273)	-	(94,273)
(159,016)	-	(159,016)
(593,441)	-	(593,441)
(400,948)	-	(400,948)
(252,845)	-	(252,845)
(1,500,523)	-	(1,500,523)
(84,194)	-	(84,194)
-	-	-
(160,066)	-	(160,066)
(244,260)	-	(244,260)
(3,764,787)	-	(3,764,787)
-	28,305	28,305
-	21,178	21,178
-	49,483	49,483
(3,764,787)	49,483	(3,715,304)
2,456,203	-	2,456,203
247,377	-	247,377
211,722	-	211,722
355,278	-	355,278
1,295,919	-	1,295,919
13,417	113	13,530
318,406	-	318,406
4,898,322	113	4,898,435
1,133,535	49,596	1,183,131
2,887,593	(84,776)	2,802,817
4,021,128	(35,180)	3,985,948

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2015

	General	Management	Capital	Nonmajor	Total
	\$	Levy	Projects	Student	\$
	\$	\$	\$	\$	\$
Assets					
Cash, cash equivalents and pooled investments	1,492,334	723,913	1,170,075	37,094	3,423,416
Receivables:					
Property tax:					
Delinquent	10,584	2,094	1,277	-	13,955
Succeeding year	1,902,367	400,001	201,196	-	2,503,564
Accounts	889	9,159	48,691	-	58,739
Interfund receivable	-	-	16,430	-	16,430
Due from other governments	201,320	-	154,024	-	355,344
Total assets	3,607,494	1,135,167	1,591,693	37,094	6,371,448
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	-	-	46,063	195	46,258
Salaries and benefits payable	324,543	-	-	-	324,543
Due to other governments	181,032	-	-	-	181,032
Interfund payable	16,430	-	-	-	16,430
Total liabilities	522,005	-	46,063	195	568,263
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	1,902,367	400,001	201,196	-	2,503,564
Income surtax	98,510	-	98,510	-	197,020
Total deferred inflows of resources	2,000,877	400,001	299,706	-	2,700,584
Fund balances:					
Restricted for:					
Categorical funding	206,154	-	-	-	206,154
Management levy purposes	-	735,166	-	-	735,166
Student activities	-	-	-	36,899	36,899
School infrastructure	-	-	731,161	-	731,161
Physical plant and equipment	-	-	514,763	-	514,763
Unassigned	878,458	-	-	-	878,458
Total fund balance	1,084,612	735,166	1,245,924	36,899	3,102,601
Total liabilities, deferred inflows of resources and fund balances	3,607,494	1,135,167	1,591,693	37,094	6,371,448

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position

June 30, 2015

		\$
Total fund balances of governmental funds (Exhibit C)		3,102,601
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		2,594,287
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		197,020
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.		
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the government funds, as follows:		
Deferred outflows of resources	247,545	
Deferred inflows of resources	<u>(545,799)</u>	(298,254)
Long-term liabilities, including termination benefits, other postemployment benefits payable and net pension liability are not due and payable in the current year and therefore, are not reported as liabilities in the governmental funds.		<u>(1,574,526)</u>
Net position of governmental activities (Exhibit A)		<u><u>4,021,128</u></u>

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2015

	General	Management	Capital	Nonmajor	Total
	\$	Levy	Projects	School	\$
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	2,134,633	405,614	416,171	-	2,956,418
Tuition	889,410	-	-	-	889,410
Other	73,278	17,274	59,249	10,903	160,704
State sources	1,787,556	1,935	356,458	-	2,145,949
Federal sources	124,912	-	-	-	124,912
Total revenues	<u>5,009,789</u>	<u>424,823</u>	<u>831,878</u>	<u>10,903</u>	<u>6,277,393</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,414,294	27,871	47,270	-	2,489,435
Special	600,051	-	-	-	600,051
Other	383,068	-	-	10,902	393,970
	<u>3,397,413</u>	<u>27,871</u>	<u>47,270</u>	<u>10,902</u>	<u>3,483,456</u>
Support services:					
Student	91,514	-	-	1,735	93,249
Instructional staff	125,156	10,000	21,199	-	156,355
Administration	563,177	3,370	24,570	-	591,117
Operation and maintenance of plant	347,925	51,528	-	-	399,453
Transportation	240,997	10,117	-	-	251,114
	<u>1,368,769</u>	<u>75,015</u>	<u>45,769</u>	<u>1,735</u>	<u>1,491,288</u>
Other expenditures:					
Facilities acquisition	-	-	344,491	-	344,491
AEA flowthrough	153,651	-	-	-	153,651
	<u>153,651</u>	<u>-</u>	<u>344,491</u>	<u>-</u>	<u>498,142</u>
Total expenditures	<u>4,919,833</u>	<u>102,886</u>	<u>437,530</u>	<u>12,637</u>	<u>5,472,886</u>
Excess (deficiency) of revenues over (under) expenditures	89,956	321,937	394,348	(1,734)	804,507
Other financing sources (uses):					
Compensation for loss of fixed assets	-	-	4,100	-	4,100
Change in fund balances	89,956	321,937	398,448	(1,734)	808,607
Fund balances beginning of year	<u>994,656</u>	<u>413,229</u>	<u>847,476</u>	<u>38,633</u>	<u>2,293,994</u>
Fund balances end of year	<u>1,084,612</u>	<u>735,166</u>	<u>1,245,924</u>	<u>36,899</u>	<u>3,102,601</u>

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds to the
Statement of Activities

Year ended June 30, 2015

	\$	\$
Change in fund balances - total governmental funds (Exhibit E)		808,607
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense, gain on trade-ins, and capital outlay expenditures in the current year are as follows:		
Gain on trade-ins	217,629	
Expenditures for capital assets	271,272	
Depreciation expense	<u>(188,058)</u>	300,843
Income surtaxes and other receivables not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		(41,116)
The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.		193,889
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	(6,666)	
Pension expense	(101,267)	
Other postemployment benefits	<u>(20,755)</u>	<u>(128,688)</u>
Changes in net position of governmental activities (Exhibit B)		<u><u>1,133,535</u></u>

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Statement of Net Position
Proprietary Fund

June 30, 2015

	Nonmajor Enterprise Funds
	\$
Assets	
Current assets:	
Cash and cash equivalents	39,422
Accounts receivable	4,649
Due from other governments	13,636
Inventories	11,495
Total current assets	<u>69,202</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>28,354</u>
Total assets	<u>97,556</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>43,379</u>
Liabilities	
Current liabilities:	
Accounts payable	5,254
Deferred revenue	1,494
Total current liabilities	<u>6,748</u>
Noncurrent liabilities:	
Net pension liability	<u>121,073</u>
Total liabilities	<u>127,821</u>
Deferred Inflows of Resources	
Pension related deferred inflows	<u>48,294</u>
Net position	
Investment in capital assets	28,354
Unrestricted	<u>(63,534)</u>
Total net position	<u><u>(35,180)</u></u>

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund

Year ended June 30, 2015

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>251,641</u>
Operating expenses:	
Salaries	191,136
Benefits	2,093
Purchased services	2,054
Supplies	150,270
Depreciation	4,638
Other	5,891
Total operating expenses	<u>356,082</u>
Operating income (loss)	<u>(104,441)</u>
Non-operating revenues:	
State sources	2,554
Federal sources	147,026
Donations	4,344
Interest income	113
Total non-operating revenues	<u>154,037</u>
Change in net position	49,596
Net position beginning of year (restated)	<u>(84,776)</u>
Net position end of year	<u><u>(35,180)</u></u>

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2015

	Nonmajor Enterprise Funds
	\$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	126,837
Cash received from daycare services	123,305
Cash paid to employees for services	(221,382)
Cash paid to suppliers for goods or services	(144,793)
Net cash used by operating activities	<u>(116,033)</u>
Cash flows from non-capital financing activities:	
Donations	4,344
State grants received	2,554
Federal grants received	129,563
Net cash provided by non-capital financing activities	<u>136,461</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>113</u>
Net increase (decrease) in cash and cash equivalents	20,541
Cash and cash equivalents at beginning of year	<u>18,881</u>
Cash and cash equivalents at end of year	<u><u>39,422</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	(104,441)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	15,389
Depreciation	4,638
Decrease (increase) in inventories	(3,833)
Decrease (increase) in accounts receivable	(1,536)
(Decrease) increase in accounts payable	1,252
(Decrease) increase in deferred revenue	37
Decrease in net pension liability	(50,907)
Increase in deferred outflows of resources	(25,540)
Increase in deferred inflows of resources	48,294
Increase in fixed assets	<u>614</u>
Net cash used by operating activities	<u><u>(116,033)</u></u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$15,389 of federal commodities.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

1. Summary of Significant Accounting Policies

Schaller-Crestland Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Schaller, Iowa and the predominately agricultural territory in a portion of Sac and Ida Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Schaller-Crestland Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Schaller-Crestland Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements . Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The Management Levy Fund is a special revenue fund that is used to account for the revenues from and expenditures of the management property tax levy.

The District's proprietary funds include the Enterprise, School Nutrition Fund used to account for the food service operations of the District and the Daycare Fund.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted, net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications . committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable . Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide

and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014, through June 30, 2015, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets . Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	30,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20-50 years
Improvements other than buildings	20 years
Intangibles	2-20 years
Furniture and equipment	5-12 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

Deferred Outflows of Resources . Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Salaries and Benefits Payable . Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Advances from Grantors . Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

Long-term Liabilities . In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions . For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees Retirement System (IPERS) and additions to/deductions from IPERS fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources . Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity . In the governmental fund financial statements fund balances are classified as follows:

Restricted . Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned . All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures did not exceed the amounts budgeted.

2. Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statements No. 3 as amended by No. 40.

3. Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	38,329	-	-	38,329
Construction in progress	-	-	-	-
	<u>38,329</u>	<u>-</u>	<u>-</u>	<u>38,329</u>
Capital assets being depreciated:				
Buildings	5,568,792	-	16,290	5,552,502
Improvements other than buildings	645,362	260,297	(36,768)	942,427
Furniture and equipment	930,939	10,975	(45,851)	987,765
Total capital assets being deprec.	<u>7,145,093</u>	<u>271,272</u>	<u>(66,329)</u>	<u>7,482,694</u>
Less accumulated depreciation for:				
Buildings	3,674,290	119,225	14,800	3,778,715
Improvements other than buildings	416,212	40,841	40,373	416,680
Furniture and equipment	799,476	27,992	96,127	731,341
Total accumulated depreciation	<u>4,889,978</u>	<u>188,058</u>	<u>151,300</u>	<u>4,926,736</u>
Total capital assets being depreciated, net	<u>2,255,115</u>	<u>83,214</u>	<u>(217,629)</u>	<u>2,555,958</u>
Governmental activities capital assets, net	<u>2,293,444</u>	<u>83,214</u>	<u>(217,629)</u>	<u>2,594,287</u>
Business type activities:				
Furniture and equipment	134,927	-	1,440	133,487
Less accumulated depreciation	<u>99,881</u>	<u>4,638</u>	<u>(614)</u>	<u>105,133</u>
Business type activities capital assets, net	<u>35,046</u>	<u>(4,638)</u>	<u>2,054</u>	<u>28,354</u>

The beginning governmental capital net assets were adjusted downward by \$217,629 to account for corrections to the depreciation schedule and capitalization threshold.

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular instruction	4,646
Support services:	
Student support	492
Administration	727
Operation and maintenance of plant services	1,213
Transportation	20,914
	<u>27,992</u>
Unallocated depreciation	<u>160,066</u>
Total depreciation expense . governmental activities	<u>188,058</u>
Business type activities:	
Food services	<u>4,638</u>

4. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
Termination benefits	40,000	20,000	13,333	46,667	18,334
Net OPEB liability	75,956	20,755	-	96,711	-
Net pension liability	<u>2,032,892</u>	<u>-</u>	<u>631,743</u>	<u>1,401,149</u>	<u>-</u>
Total	<u>2,148,848</u>	<u>40,755</u>	<u>645,076</u>	<u>1,544,527</u>	<u>18,334</u>
Business type activities:					
Net pension liability	<u>171,980</u>	<u>-</u>	<u>50,907</u>	<u>121,073</u>	<u>-</u>

Termination Benefits

The District offered a voluntary early retirement plan to its employees during fiscal year 2014. Eligible employees must have completed at least fifteen years of full-time service to the District and must be at least age 55 on or before June 30 in the calendar year in which early retirement commences. The application for early retirement was subject to approval by the Board of Education.

At June 30, 2015, the District has an obligation to three participants with a total liability of \$46,667. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$13,333.

5. Pension Plan

Plan Description . IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits . A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a regular member's monthly IPERS benefits includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits . A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions . Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS's Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the entry age normal actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$230,609.

Net Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions . At June 30, 2015, the District reported a liability of \$1,552,222 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined

by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.039139 percent, which was an increase of 0.000738 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$109,834. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of Resources	Deferred Inflows of Resources
	\$	\$
Differences between expected and actual experience	16,870	-
Changes in assumptions	68,503	-
Net difference between projected and actual earnings on pension plan investments	-	591,973
Change in proportion and differences between District contributions and proportionate share of contributions	(27,178)	-
District contributions subsequent to the measurement date	230,609	-
Total	288,804	591,973

\$230,609 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	\$
2016	(134,396)
2017	(134,396)
2018	(134,396)
2019	(134,396)
2020	3,806
Total	(533,778)

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions . The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
	%	
US Equity	23	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100	

Discount Rate . The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate . The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
	\$	\$	\$
District proportionate share of the net pension liability	2,932,880	1,552,222	386,804

Pension Plan Fiduciary Net Position . Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS's website at www.ipers.org.

Payables to the Pension Plan . At June 30, 2015, the District reported payables to the defined benefit pension plan of \$23,742 for legally required employer contributions and \$15,819 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

6. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 39 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	25,998
Interest on net OPEB obligation	1,899
Adjustment to annual required contribution	<u>(4,265)</u>
Annual OPEB cost	23,632
Contributions made	<u>(2,877)</u>
Increase in net OPEB obligation	20,755
Net OPEB obligation beginning of year	<u>75,956</u>
Net OPEB obligation end of year	<u>96,711</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$2,877 to the medical plan. Plan members eligible for benefits contributed \$27,710, or 100% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u> \$	<u>Percentage of Annual OPEB Cost Contributed</u> %	<u>Net OPEB Obligation</u> \$
June 30, 2010	18,174	27.9%	13,110
June 30, 2011	18,397	35.4%	24,977
June 30, 2012	19,869	32.8%	38,336
June 30, 2013	22,059	15.5%	56,966
June 30, 2014	21,557	11.9%	75,956
June 30, 2015	23,632	12.2%	96,711

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$181,852, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$181,852. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,054,000, and the ratio of the UAAL to covered payroll was 8.9%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table, projected to 2000.

The UAAL is being amortized over 30 years.

7. Risk Management

Schaller-Crestland Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$153,651 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

9. Lease Commitments

The District has leased copy machines and a vehicle using operating leases. The following minimum lease payments will be made over the lives of the leases:

<u>Year Ending June 30,</u>	<u>Lease Payments</u>
	\$
2016	2,040
2017	2,040
2018	2,040
Total	<u>6,120</u>

10. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
Home school assistance program	2,697
Mentoring	5,241
Gifted and talented	40,306
Returning dropout and dropout prevention program	46,629
Early readers	28,222
Teacher leadership	6,410
Teacher salary supplement	34,943
Educator quality, professional development	15,761
Core curriculum	<u>25,945</u>
	<u>206,154</u>

11. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions . an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business Type Activities
	\$	\$
Net position June 30, 2014, as previously reported	4,709,618	69,365
Net pension liability at June 30, 2014	(2,032,892)	(171,980)
Deferred outflows of resources		
Related to contributions made after the June 30, 2013 measurement date	210,867	17,839
Net position July 1, 2014, as restated	<u>2,887,593</u>	<u>(84,776)</u>

REQUIRED SUPPLEMENTARY INFORMATION

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2015

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	\$	\$	\$	Original	Final	\$
Revenues:						
Local sources	4,006,532	256,098	4,262,630	4,503,366	4,503,366	(240,736)
State sources	2,145,949	2,554	2,148,503	1,965,884	1,965,884	182,619
Federal sources	124,912	147,026	271,938	384,000	384,000	(112,062)
Total revenues	<u>6,277,393</u>	<u>405,678</u>	<u>6,683,071</u>	<u>6,853,250</u>	<u>6,853,250</u>	<u>(170,179)</u>
Expenditures/Expenses:						
Instruction	3,483,456	-	3,483,456	4,065,621	4,065,621	582,165
Support services	1,491,288	-	1,491,288	2,381,000	2,381,000	889,712
Non-instructional programs	-	356,082	356,082	393,936	393,936	37,854
Other expenditures	498,142	-	498,142	796,434	796,434	298,292
Total expenditures/expenses	<u>5,472,886</u>	<u>356,082</u>	<u>5,828,968</u>	<u>7,636,991</u>	<u>7,636,991</u>	<u>1,808,023</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	804,507	49,596	854,103	(783,741)	(783,741)	1,637,844
Other financing sources net	<u>4,100</u>	<u>-</u>	<u>4,100</u>	<u>-</u>	<u>-</u>	<u>4,100</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	808,607	49,596	858,203	(783,741)	(783,741)	1,641,944
Balance beginning of year	<u>2,293,994</u>	<u>(84,776)</u>	<u>2,209,218</u>	<u>1,414,491</u>	<u>1,414,491</u>	<u>794,727</u>
Balance end of year	<u><u>3,102,601</u></u>	<u><u>(35,180)</u></u>	<u><u>3,067,421</u></u>	<u><u>630,750</u></u>	<u><u>630,750</u></u>	<u><u>2,436,671</u></u>

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District did not amend the budget during the year.

During the year ended June 30, 2015, expenditures did not exceed the amounts budgeted in the functional areas.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*

Required Supplementary Information

	<u>2015</u>
District's proportion of the net pension liability	0.039139%
District's proportionate share of the net pension liability	1,552,222
District's covered-employee payroll	2,582,408
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.11%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of District Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years

Required Supplementary Information

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Statutorily required contribution	230,609	228,706	218,363	194,413	154,642	167,710	157,262	141,525	131,357	110,273
Contributions in relation to the statutorily required contribution	<u>230,609</u>	<u>228,706</u>	<u>218,363</u>	<u>194,413</u>	<u>154,642</u>	<u>167,710</u>	<u>157,262</u>	<u>141,525</u>	<u>131,357</u>	<u>110,273</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	2,582,408	2,561,097	2,518,604	2,409,087	2,225,068	2,521,954	2,476,567	2,339,256	2,284,470	1,917,791
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decrease the inflation assumption from 3.25 percent to 3.00 percent.
- Decrease the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL. UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Pension Liability

Year ended June 30, 2015

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

Adjusted salary increase assumptions to service based assumptions.

Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.

Lowered the inflation assumption from 3.50 percent to 3.25 percent.

Lowered disability rates for sheriffs and deputies and protection occupation members.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2010	July 1, 2009	-	169,443	169,443	0.0%	2,144,000	7.9%
2011	July 1, 2009	-	167,196	167,196	0.0%	1,822,000	9.2%
2012	July 1, 2009	-	163,958	163,958	0.0%	1,945,000	8.4%
2013	July 1, 2012	-	182,972	182,972	0.0%	1,983,000	9.2%
2014	July 1, 2012	-	182,450	182,450	0.0%	1,995,000	9.1%
2015	July 1, 2012	-	181,852	181,852	0.0%	2,054,000	8.9%

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Position
Nonmajor Enterprise Funds

June 30, 2015

	Enterprise Funds		
	School Nutrition	Daycare	Total
	\$	\$	\$
Assets			
Cash, cash equivalents and pooled investments	28,328	11,094	39,422
Accounts receivable	4,230	419	4,649
Due from other governments	13,636	-	13,636
Inventories	11,495	-	11,495
Capital assets, net of accumulated depreciation	28,354	-	28,354
Total assets	86,043	11,513	97,556
Deferred Outflows of Resources			
Pension related deferred outflows	19,465	23,914	43,379
Liabilities			
Accounts payable	2,909	2,345	5,254
Noncurrent liabilities:			
Deferred revenue	1,494	-	1,494
Net pension liability	54,328	66,745	121,073
Total noncurrent liabilities	55,822	66,745	122,567
Total liabilities	58,731	69,090	127,821
Deferred Inflows of Resources			
Pension related deferred inflows	21,670	26,624	48,294
Net position			
Invested in capital assets	28,354	-	28,354
Unrestricted	(3,247)	(60,287)	(63,534)
Total net position	25,107	(60,287)	(35,180)

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenses and Fund Net Position
Nonmajor Enterprise Funds

Year ended June 30, 2015

	Enterprise Funds		
	School Nutrition	Daycare	Total
	\$	\$	\$
Operating revenues:			
Local sources:			
Charges for service	130,713	120,928	251,641
Operating expenses:			
Salaries	96,374	94,762	191,136
Benefits	3,560	(1,467)	2,093
Purchased services	1,920	134	2,054
Supplies	131,268	19,002	150,270
Depreciation	4,638	-	4,638
Other	2,054	3,837	5,891
Total operating expenses	239,814	116,268	356,082
Operating income (loss)	(109,101)	4,660	(104,441)
Non-operating revenues:			
State sources	1,854	700	2,554
Federal sources	135,552	11,474	147,026
Donations	-	4,344	4,344
Interest income	101	12	113
Total non-operating revenues	137,507	16,530	154,037
Change in net position	28,406	21,190	49,596
Net position beginning of year (restated)	(3,299)	(81,477)	(84,776)
Net position end of year	25,107	(60,287)	(35,180)

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2015

	Enterprise Funds		
	School Nutrition	Daycare	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	126,837	-	126,837
Cash received from daycare services	-	123,305	123,305
Cash paid to employees for services	(112,567)	(108,815)	(221,382)
Cash paid to suppliers for goods or services	(122,756)	(22,037)	(144,793)
Net cash used by operating activities	<u>(108,486)</u>	<u>(7,547)</u>	<u>(116,033)</u>
Cash flows from non-capital financing activities:			
Donations	-	4,344	4,344
State grants received	1,854	700	2,554
Federal grants received	118,089	11,474	129,563
Net cash provided by non-capital financing activities	<u>119,943</u>	<u>16,518</u>	<u>136,461</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:			
Interest on investments	<u>101</u>	<u>12</u>	<u>113</u>
Net increase (decrease) in cash and cash equivalents	11,558	8,983	20,541
Cash and cash equivalents at beginning of year	<u>16,770</u>	<u>2,111</u>	<u>18,881</u>
Cash and cash equivalents at end of year	<u><u>28,328</u></u>	<u><u>11,094</u></u>	<u><u>39,422</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:			
Operating income (loss)	(109,101)	4,660	(104,441)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Commodities used	15,389	-	15,389
Depreciation	4,638	-	4,638
Decrease (increase) in inventories	(3,833)	-	(3,833)
Decrease (increase) in accounts receivable	(3,913)	2,377	(1,536)
(Decrease) increase in accounts payable	316	936	1,252
(Decrease) increase in deferred revenue	37	-	37
Decrease in net pension liability	(22,843)	(28,064)	(50,907)
Increase in deferred outflows of resources	(11,460)	(14,080)	(25,540)
Increase in deferred inflows of resources	21,670	26,624	48,294
Increase in fixed assets	614	-	614
Net cash used by operating activities	<u><u>(108,486)</u></u>	<u><u>(7,547)</u></u>	<u><u>(116,033)</u></u>

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Project Accounts

June 30, 2015

Assets	Capital Projects		
	Statewide Sales, Services and Use	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Cash, cash equivalents and pooled investments	650,012	520,063	1,170,075
Receivables:			
Property tax:			
Delinquent	-	1,277	1,277
Succeeding year	-	201,196	201,196
Accounts	48,691	-	48,691
Interfund receivable	-	16,430	16,430
Due from other governments	55,514	98,510	154,024
Total assets	754,217	837,476	1,591,693
Liabilities, Deferred Inflows of Resources & Fund Balances			
Liabilities:			
Accounts payable	23,056	23,007	46,063
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	201,196	201,196
Income surtax	-	98,510	98,510
Total deferred inflows of resources	-	299,706	299,706
Fund balances:			
Restricted for:			
School infrastructure	731,161	-	731,161
Physical plant and equipment	-	514,763	514,763
Total fund balances	731,161	514,763	1,245,924
Total liabilities, deferred inflows of resources and fund balances	754,217	837,476	1,591,693

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances

Capital Project Accounts

Year ended June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	-	416,171	416,171
Other	56,997	2,252	59,249
State sources	355,278	1,180	356,458
Total revenues	<u>412,275</u>	<u>419,603</u>	<u>831,878</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	47,270	-	47,270
Support services:			
Instructional staff services	-	21,199	21,199
Administration services	7,968	16,602	24,570
Other expenditures:			
Facilities acquisition	226,965	117,526	344,491
Total expenditures	<u>282,203</u>	<u>155,327</u>	<u>437,530</u>
Excess (deficiency) of revenues over (under) expenditures	130,072	264,276	394,348
Other financing sources (uses):			
Compensation for loss of fixed assets	<u>-</u>	<u>4,100</u>	<u>4,100</u>
Change in fund balance	130,072	268,376	398,448
Fund balances beginning of year	<u>601,089</u>	<u>246,387</u>	<u>847,476</u>
Fund balance end of year	<u><u>731,161</u></u>	<u><u>514,763</u></u>	<u><u>1,245,924</u></u>

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2015

<u>Account</u>	Balance Beginning of Year \$	Revenues \$	Expenditures \$	Balance End of Year \$
SCCS students	529	247	251	525
Activity tickets	-	300	-	300
Activity resale	-	25	25	-
Concession stand	4,930	3,578	3,222	5,286
Band resale	-	789	789	-
Football	1,659	-	48	1,611
Volleyball	862	1,062	1,036	888
Class of 2011	1,459	-	-	1,459
Class of 2013	819	-	-	819
Reducing raptors club	3,269	-	1,735	1,534
FFA club	8	-	-	8
Middle school student council	3,041	2,956	3,144	2,853
Peerhelpers	745	-	-	745
Industrial arts club	36	-	-	36
Annual	8,189	-	-	8,189
Tatu	8,355	552	2,077	6,830
Dance squad	1,148	-	-	1,148
K-8 activity	3,221	1,394	310	4,305
Lego league	363	-	-	363
Total	38,633	10,903	12,637	36,899

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Ten Years

Modified Accrual Basis

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:										
Local sources:										
Local tax	2,956,418	2,851,048	2,753,911	2,877,500	2,691,484	2,542,636	2,404,839	2,108,773	2,003,439	1,894,671
Tuition	889,410	827,840	704,900	732,837	660,360	49,141	58,821	107,730	115,352	76,040
Other	160,704	144,547	258,070	218,397	198,388	164,695	162,369	217,772	218,215	205,049
Intermediate sources	-	-	-	-	-	-	15,000	-	-	-
State sources	2,145,949	2,127,537	2,035,962	1,701,065	1,611,456	1,394,092	1,787,233	1,955,362	2,103,656	2,013,357
Federal sources	124,912	132,764	132,628	197,720	225,795	410,510	147,036	139,130	150,331	161,885
Total revenues	<u>6,277,393</u>	<u>6,083,736</u>	<u>5,885,471</u>	<u>5,727,519</u>	<u>5,387,483</u>	<u>4,561,074</u>	<u>4,575,298</u>	<u>4,528,767</u>	<u>4,590,993</u>	<u>4,351,002</u>
Expenditures:										
Instruction:										
Regular	2,489,435	2,606,570	2,703,354	2,727,090	2,399,561	2,045,353	2,066,279	1,999,387	1,952,829	1,775,981
Special	600,051	519,249	497,958	518,520	465,085	349,002	392,626	350,382	345,346	346,354
Other	393,970	449,891	453,612	402,832	476,219	620,725	556,286	431,628	449,753	424,603
Support services:										
Student	93,249	71,963	80,585	61,807	72,272	44,291	44,471	86,669	76,667	92,231
Instructional staff	156,355	197,611	186,356	169,183	161,526	155,061	149,084	126,342	104,547	114,593
Administration	591,117	570,417	465,734	468,460	440,571	480,326	447,824	446,237	442,108	429,347
Operation and maintenance	399,453	350,961	342,359	274,560	287,224	309,559	306,937	326,191	330,410	328,591
Transportation	251,114	269,677	297,903	416,111	286,392	238,315	227,415	235,217	240,616	299,100
Non-instructional programs	-	4,875	-	-	-	-	-	-	-	-
Other expenditures:										
Facilities acquisition	344,491	342,212	360,591	348,628	243,444	415,877	186,140	298,670	295,589	175,334
AEA flowthrough	153,651	154,875	148,118	146,032	164,682	163,420	150,332	147,520	147,082	142,346
Total expenditures	<u>5,472,886</u>	<u>5,538,301</u>	<u>5,536,570</u>	<u>5,533,223</u>	<u>4,996,976</u>	<u>4,821,929</u>	<u>4,527,394</u>	<u>4,448,243</u>	<u>4,384,947</u>	<u>4,128,480</u>

Gary E. Horton CPA

902 Central Ave. E.-PO Box 384
Clarion, IA 50525-0384
(515)532-6681 Phone
(515) 532-2405 Fax
BETCO@mchsi.com E-mail

Independent Auditor's Report on Internal Control
Over Financial Reporting and on compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
Schaller-Crestland Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Schaller-Crestland Community School District and of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 31, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Schaller-Crestland Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Schaller-Crestland Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Schaller-Crestland Community School District's Internal Control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings and Responses as items 15-I-A, 15-I-B and 15-I-C to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Schaller-Crestland Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an

opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Finding and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Schaller-Crestland Community School District's Responses to the Findings

Schaller-Crestland Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Schaller-Crestland Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Schaller-Crestland Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

May 31, 2016

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2015

Part I: Findings Related to the Financial Statements:

Internal control deficiencies:

- 15-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, payroll processing, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation: We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

- 15-I-B Check Signing: We noted that the District uses its computer software to print the signatures of the Board President and Board Secretary on checks, as the checks are printed by the computer. It is possible for one person to enter invoices or payroll data, issue the command to print checks and to receive the checks from the printer. This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation: We recommend that this practice cease. The Board may designate another person to cosign checks when the Board President is not available.

District Response: We will discuss methods to remain efficient, yet have adequate controls.

Conclusion: Response accepted.

- 15-I-C Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2015

Part I: Findings Related to the Financial Statements (continued):

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2015

Part II: Other Findings Related to Required Statutory Reporting:

15-II-A Certified Budget: Expenditures for the year ended June 30, 2015 did not exceed the certified budget amount.

15-II-B Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

15-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

15-II-D Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>
Scott Currie, board member, President and owner of local bank	School Banking

Recommendation: Business with district officials is not a conflict of interest if bids are taken or total amount is less than \$2,500. The District should consult legal council regarding this matter.

District Response: We will consult with our attorney.

Conclusion: Response accepted.

15-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

15-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

15-II-G Certified Enrollment: We noted no variances in the basic enrollment data certified to the Department of Education.

15-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.

15-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

15-II-J Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2015

Part II: Other Findings Related to Required Statutory Reporting (continued):

15-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

15-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

	\$	\$
Beginning balance		601,089
Revenues/transfers in:		
Statewide sales, services and use tax revenue	355,278	
Other	<u>56,997</u>	412,275
Expenditures/transfers out:		
School infrastructure construction/Equipment		<u>282,203</u>
Ending balance		<u><u>731,161</u></u>